

Message Text

LIMITED OFFICIAL USE

PAGE 01 MANAGU 04937 261432Z

47

ACTION ARA-10

INFO OCT-01 ISO-00 USIA-06 PA-01 PRS-01 AEC-05 AID-05

CEA-01 CIAE-00 CIEP-01 COME-00 DODE-00 EB-07 FPC-01

H-01 INR-05 INT-05 L-02 NSAE-00 NSC-05 OMB-01 PM-03

RSC-01 SAM-01 OES-03 SP-02 SS-15 STR-01 TRSE-00

FRB-01 FEA-01 XMB-02 OPIC-03 /091 W

----- 037897

R 241445Z DEC 74

FM AMEMBASSY MANAGUA

TO SECSTATE WASHDC 5835

INFO AMEMBASSY GUATEMALA

AMEMBASSY SAN JOSE

AMEMBASSY SAN SALVADOR

AMEMBASSY PANAMA

AMEMBASSY CARACAS

LIMITED OFFICIAL USE MANAGUA 4937

E.O. 11652: NA

TAGS: ENRG, EFIN, PFOL, VE, XK, NU

SUBJECT: AGREEMENT OF ECONOMIC COOPERATION BETWEEN VENEZUELAN
INVESTMENT FUND AND CENTRAL BANK OF NICARAGUA

REF: CARACAS 12424

1. SUMMARY: WE HAVE OBTAINED FROM CENTRAL BANK OF NICARAGUA
(CBN) COPY OF AGREEMENT BETWEEN THE VENEZUELAN INVESTMENT
FUND (VENFUND) AND CBN SIGNED AT PUERTO ORDAZ ON
DECEMBER 14. IT ESSENTIALLY CARRIES SOME PROVISIONS AS AGREEMENT
WITH COSTA RICA SUMMARIZED IN CARACAS 12424. END SUMMARY.

2. NICARAGUA FORMULA BASED ON 8,000 BARRELS/DAY WHICH ACCORDING
CBN IS ESTIMATE OF IMPORTS IN 1974 FOR DIESEL AND GASOLINE AND
EXCLUDES OTHER PETROLEUM PRODUCTS SUCH AS KEROSENE AND
LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 02 MANAGU 04937 261432Z

ASPHALT (ACTUAL NICARAGUAN CONSUMPTION IS 14,000 B/D). AGREEMENT

DOES NOT MAKE THIS DISTINCTION STATING SIMPLY THAT DEPOSITS WOULD BE BASED ON PRICE IN EXCESS OF \$6 FOR EACH BARREL OF PETROLEUM EXPORTED BY VENEZUELA TO NICARAGUA FOR INTERNAL CONSUMPTION UP TO A TOTAL ANNUAL EXPORT VOLUME CORRESPONDING TO 1974 WHICH FOR THE PURPOSE OF THE AGREEMENT IS FIXED AT 8,000 B/D. WE WOULD BE INTERESTED IN KNOWING WHETHER SAME CRITERIA WAS USED IN SETTING OTHER QUOTAS.

3. CBN SAYS PRESENT PRICE VENEZUELAN CRUDE IS \$11.45 BARREL. IF THIS PREVAILS, NICARAGUA WOULD RECEIVE \$15.9 MILLION IN 1975 DECREASING TO \$2.65 MILLION IN 1980 FOR TOTAL OF \$55.65 MILLION.

4. AGREEMENT DOES NOT CARRY LIMITATION EXPRESSED IN PARA. 7 OF CARACAS CABLE TO LOCAL COST FINANCING OF ONLY REGIONAL ECONOMIC INTEGRATION PROGRAMS ALTHOUGH THESE ARE INCLUDED. IT STATES THAT LOANS MUST BE USED IN CONJUNCTION WITH OTHER FINANCING, PARTICULARLY IDB, IBRD, CABEL, FONDO DE FIDEICOMISO DE VENEZUELA AND OF "OTHER FIRST CLASS FINANCIAL INSTITUTIONS" SELECTED BY VENFUND AND CBN. WE ARE INFORMED BY CBN PRESIDENT THAT AID, THOUGH NOT SPECIFICALLY NAMED, IS REGARDED AS A FIRST CLASS FINANCIAL INSTITUTION (CONGRATULATIONS*).

5. WHILE CERTIFICATES OF DEPOSITS ARE ISSUED IN EQUAL AMOUNTS OF BOLIVARS AND DOLLARS AND WOULD BE REPAID ACCORDINGLY, THE AGREEMENT PROVIDES THAT WHEN CONVERTED TO DEVELOPMENT LOANS "THEY WILL BE DENOMINATED IN BOLIVARS AND AMORTIZATIONS, INTEREST PAYMENTS, AND OTHER CHARGES WILL BE MADE IN BOLIVARS."

6. BESIDES THE RATHER STIFF TERMS, AGREEMENT SEEMS TO BE ADMINISTRATIVELY CLUMSY. VENFUND, FOR EXAMPLE, REQUESTS CBN TO MAKE EARLY REPAYMENTS OF CD'S TO RELEASE FUNDS FOR DEVELOPMENT LOANS WHEN REQUESTED OR APPROVED BY GOVERNMENT OF NICARAGUA. THE LOANS CAN THEN BE MADE BY VENFUND TO THE GON, ITS SUBDIVISIONS, GOVERNMENT CORPORATIONS, MIXED AND PRIVATE COMPANIES, AND LATIN AMERICAN MULTI-NATIONAL CORPORATIONS (READ VENEZUELAN?) UNDER SAME GUARANTEES AS THOSE ESTABLISHED IN PRINCIPAL LOAN, I.E., GON GUARANTEES. VENFUND PURCHASE AND FINANCING OF "CAPITAL ACCIONARIO" WHICH PRESUMABLY MEANS EQUITY, AND OTHER CAPITAL PARTICIPATION IN BUSINESSES IN NICARAGUA ARE INCLUDED AMONG THE PERMITTED USES OF THE FUNDS. LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 03 MANAGU 04937 261432Z

IF CARRIED OUT IN ALL OF ITS POSSIBILITIES, IT IS DIFFICULT TO SEE HOW THE AGREEMENT CAN BE ADMINISTERED WITHOUT A VENFUND PRESENCE IN NICARAGUA. SHELTON

LIMITED OFFICIAL USE

NNN

Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: AGREEMENTS, PETROLEUM, ECONOMIC ASSISTANCE, BALANCE OF PAYMENTS, DEVELOPMENT BANKS
Control Number: n/a
Copy: SINGLE
Draft Date: 24 DEC 1974
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: shawdg
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1974MANAGU04937
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Film Number: D740374-1127
From: MANAGUA
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1974/newtext/t19741212/aaaaakft.tel
Line Count: 112
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION ARA
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 3
Previous Channel Indicators: n/a
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: 74 CARACAS 12424
Review Action: RELEASED, APPROVED
Review Authority: shawdg
Review Comment: n/a
Review Content Flags:
Review Date: 10 SEP 2002
Review Event:
Review Exemptions: n/a
Review History: RELEASED <10 SEP 2002 by elyme>; APPROVED <19 MAR 2003 by shawdg>
Review Markings:

Declassified/Released
US Department of State
EO Systematic Review
30 JUN 2005

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: AGREEMENT OF ECONOMIC COOPERATION BETWEEN VENEZUELAN INVESTMENT FUND AND CENTRAL BANK OF NICARAGUA
TAGS: ENRG, EFIN, PFOR, VE, XK, NU
To: STATE
Type: TE
Markings: Declassified/Released US Department of State EO Systematic Review 30 JUN 2005